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국제학석사학위논문

**Creating Shared Value in China:
Analyzing the Strategies of Samsung and Alibaba**

중국 내 공유 가치 창출 (CSV):
삼성과 알리바바의 전략 분석

2018 년 2 월

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이 범 철

Master's Thesis

**Creating Shared Value in China:
Analyzing the Strategies of Samsung and Alibaba**

A Thesis Presented

By

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A thesis submitted in fulfillment of the requirements for the degree of
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Seoul National University

Seoul, Republic of Korea

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Abstract

Creating Shared Value in China: Analyzing the Strategies of Samsung and Alibaba

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Rapid economic development of China, initiated by Chinese economic reform in 1978, caused various social problems. The gap between rich and poor has been widened and environmental pollution became severe. In response to the problems, Chinese government declared 'Harmonious society' as the new national socioeconomic vision and enforced corporate social responsibility (CSR) activities of firms in China. China Samsung and Alibaba adopted the changes proactively and sought to increase economic value while solving social problems with business method. It corresponded to creating shared value (CSV) strategies presented in Porter and Kramer (2011). However, CSV is still in introducing stage in China and few study exists which analyzed social activities of firms in perspective of CSV. Existing studies which were based on CSR did not provide appropriate explanation about business value which is gained from social activities. To fill this gap, this thesis will study social activities of China Samsung and Alibaba in perspective of

CSV strategies. Through the research, comprehensive motivation and strategic value of the activities will be analyzed and improvement strategies will be provided.

Keywords: Corporate Social Responsibility (CSR), Creating Shared Value (CSV), Corporate Social Opportunity (CSO), China Samsung, Alibaba, Social contribution programs in China

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1. Introduction

China's 'Getting rich first' policy has caused numerous side effects along with the rapid economic development. Factories had emitted air pollutant until the sky became black and serious air pollution threatened people's everyday life. 2008 Chinese Milk scandal plummeted people's trust on Chinese groceries. Foxconn suicides revealed that human rights of the employees had been ignored behind the scene while the media was broadcasting success stories of the employers.

Although the Chinese economy grew at the expense of the people, the reward of the triumph was centralized to a certain group and the compensation of the sacrifice was not properly distributed to the public. Year by year, people's anger mounted up and the government finally recognized the seriousness of their voices (Lee & Chung, 2013).

Finally, Hujintao administration declared the new socioeconomic vision of the nation, 'Harmonious society' and changed the national goal from quantitative economic expansion to harmonious development of the society (Choi, 2008). Government enforced rules and regulations and required companies to be a part of such changes. Social contribution of the corporation was stressed and the government supervised corporate social responsibility (CSR) activities of the firms. (Lee & Chung, 2013)

Alibaba and China Samsung were one of the companies which adopted these changes proactively. Especially, these companies did not leave their social activities as a mere one-way giving, but actively designed solutions that generated

corporate benefits simultaneously.

This strategy was found to correspond more clearly with creating shared value (CSV) of Porter and Kramer (2011) than CSR. CSV rebelled against the idea of CSR that had segregated social value from business value, and provided a great insight that shed light on ‘shared’ value. This finding has been further extended by various scholars and evolved into the idea that converted companies’ perspective on social responsibility to social opportunity (Moon, 2012). It paved a way for companies to actively dive into solving social problems in purpose of enhancing its competitiveness.

However, CSR is still a more dominant concept in China although the CSR based researches did not fully comprehend the business value of the social activities. Until now, CSV, a so-called upgraded version of CSR, has not been thoroughly studied in China and few study exists which analyzed social activities of firms in China based on CSV (Chang, Jung, & Lee, 2016).

Therefore, in this thesis, social activities in China performed by two major companies, Alibaba and China Samsung, will be analyzed in perspective of CSV to evaluate comprehensive motivation and strategic value of the activities. Firstly, the development of social responsibility in China and existing studies about Alibaba and China Samsung will be reviewed. Secondly, theoretical development of CSR and CSV will be presented including an alternative framework which fills the missing gap of existing studies. Thirdly, social activities of China Samsung and Alibaba will be analyzed by using the new framework and comparative analysis of the results will follow.

2. Literature Review

2.1. Development of Social Responsibility in China

Last 40 years of rapid economic development of China started from the Chinese economic reform in 1978, which was initiated by Deng Xiaoping. The Chinese government introduced the capitalist market system into the socialist society, and privatized many state-owned enterprises. Entrepreneurs were allowed to establish private businesses. With the spirit of 'Getting rich first,' corporations were exempted from the burdens of providing welfare to the public, and therefore, corporations could put all efforts in generating profits and contributing to the economic development of the country (Lee & Chung, 2011).

However, the rapid economic growth also brought many side effects. The wealth gap between rich and poor has been widened, thus social injustice has increased. Severe environmental pollution threatened people's right to life, and various incidents, such as 2008 Chinese milk scandal and Foxconn suicides in the early 2010s shocked the public. Citizens started to raise voices for the changes in the country's economic development policies (Lee & Chung, 2013).

The global society also pressured China to modify its policies. By joining WTO in 2001, China was incorporated into the world trade system, and it forced China to follow international rules, regulations, and value system that has never been emphasized in China before.

In response to these calls for change, Hu Jintao administration declared the

new socioeconomic vision of the nation, ‘Harmonious society’ in 2015. The governing philosophy was changed from all-out economic development to society’s overall balance and harmony (Choi, 2008).

The following government policies asked business sectors to participate more actively in constructing harmonious society. The revised company law forced CSR activities to all firms in China. Chinese Academy of Social Sciences (CASS) established ‘CSR research center’ in 2008, and took a role of encouraging CSR activities of firms. CASS announced its first national CSR report guideline, CASS-CSR 1.0 in 2009. The center regularly evaluated firms’ CSR reports and published the results with national rankings. As a result of these governments’ efforts, firms rapidly increased its participation in CSR activities, and actively promoted its efforts to the public (Lee & Chung, 2013).

2.2. Earlier Research on CSR of China Samsung and Alibaba

Alibaba and China Samsung are one of the companies which maintain top CSR rankings in the annual CSR blue book published by CASS research center. Alibaba ranked the first place among Chinese private companies in 2015 (Alibaba Group, 2016) and China Samsung ranked the first place among foreign companies in five consecutive years from 2013 to 2017 (Kang, 2017). With their high achievements, numerous studies were conducted to analyze the CSR strategies of Alibaba and China Samsung.

Yang and Huang (2015) focused on Alibaba’s Platform CSR approach.

They stated that Alibaba coordinated competences of its diverse platforms synergistically and developed CSR projects successfully. The research emphasized that Alibaba's CSR activities achieved sustainability by embedding CSR into its corporate cultures and solving social problems with business methods.

Fan, Shen, and Jiang (2014) interpreted that the shared-value approach was the core competence of Alibaba's social contribution programs. The research pointed out that Alibaba pursued to find solutions to social problems from the business factors, and it successfully increased the social and corporate value together. It also emphasized that the whole organization sincerely understood the company's CSR philosophy and actively applied it to various social problems. The firm integrated the social contribution philosophy into its culture and business model, and its long-term based approach enhanced the benefit of various stakeholders.

The study on China Samsung's strategy done by Kim and Seo (2012) showed that China Samsung understood the importance of CSR activities in China well, and participated in it actively. However, due to the lack of differentiation, China Samsung's activities were difficult to be distinguished from the CSR activities of other companies. It was also pointed out that China Samsung should have modified its responsive CSR to strategic CSR to make it more sustainable.

Myung (2015) also emphasized that Samsung's global CSR activities merely remained at the philanthropic level and could not satisfy the needs of various local stakeholders. The research asserted, similar to Kim and Seo (2012),

that Samsung should have designed CSR strategy that utilized its competitiveness to differentiate it from other companies' CSR strategies. Additionally, it was also mentioned that its CSR strategy should have been incorporated into the business strategy and corporate culture.

Hadjikhani, Lee, and Park (2016) investigated how China Samsung pursued business gains from its CSR activities, especially in foreign market entry strategy and marketing strategy perspective. They claimed that China Samsung recognized the importance of relationship building with social and political groups in China, and actively utilized CSR as a tool for it. They also made a point that this strategic CSR activity helped Samsung to stabilize its market position in China.

However, these studies still have limitations. Yang and Huang (2015) focused only on social benefits generated from the CSR activities and neglected the business value created from the activities. In case of Fan *et al.* (2014), although it acknowledged the shared growth concept of Alibaba's strategy, it missed how this strategy influences on the competitiveness of the firm, and could not understand the comprehensive motivation and real value of the strategy. In case of China Samsung, both Kim and Seo (2012) and Myung (2015) could not explain how China Samsung could have incorporated CSR into the business model and achieve strategic CSR. Moreover, Hadjikhani *et al.* (2016) limited the scope of CSR into the marketing and foreign market entry strategy only and missed other important aspects besides the image-building and networking benefits.

These existing literatures could not properly explain the comprehensive

motivation and value of Alibaba and China Samsung's social activities, and they were lack of analysis on 'how' to improve it. These limitations of CSR framework analysis can be overcome by applying creating shared value (CSV, 创造共享价值 in Chinese) approach. However, few study which analyzed social contribution programs of firms in China in CSV perspective exists.

China Samsung is aware of the importance of creating shared value. In 2014, Samsung Group, China Samsung's parent company, declared CSV as a key strategy for innovation (Lee, 2014). In its CSR report, China Samsung (2014), the firm emphasized that would pursue a mutual growth and win-win relationship with its suppliers through CSV. China Samsung (2015) also declared that the firm would continue to create shared values and pursue a mutual growth with all related stakeholders.

In China, CSR is a more dominant concept, and CSV is in introducing stage. Since Chinese government provides guidelines for CSR and requests CSR reports, companies put the focus on CSR, not CSV (Chang *et al.*, 2016).

Alibaba has never used the terminology, CSV, directly in public, and neither in its CSR reports. However, the core concept and strategies of CSV can be read in its vision, strategies, and social practices (Cho, 2012). The founder of Alibaba, Jack Ma emphasized that Alibaba's every product and innovation were stemmed from its efforts to solve social problems. He affirmed that the firm should incorporate public mindset with the business method, and pursue to grow together with the society (Alibaba Group, 2014).

2.3. Development of Corporate Social Responsibility

Corporate social responsibility (CSR) has firstly appeared in the United States in Great Depression era in 1929 (Vance, 1975). In the 1960s, the influence of business sector on society became stronger, and it caused more conflicts between the corporations and the public. People started to recognize the responsibility of the corporations in the society. (Kim & Seo, 2012).

In Academia, Bowen's study on the social responsibility of the corporations firstly drew scholars' attentions. In his book, 'Social Responsibilities of the Businessman' (Bowen, 1953), he stated that businessman should make decisions not just based on the rules and regulations, but also based on the objective and values of the society.

On this academic foundation, many scholars provided frameworks to categorize CSR activities according to its characteristics. Sethi (1975) grouped social performances of corporations into three different areas, which are, social obligation, social responsibility, and social responsiveness. Carroll (1979) clarified social responsibility into four groups, which are, economic, legal, ethical, and discretionary responsibilities. This framework was developed into a pyramid model of CSR in Carroll (1991), which categorized CSR into economic, legal, ethical, and philanthropic responsibilities.

However, some scholars who supported shareholder primacy were against the idea of CSR. Friedman (1970) asserted that the only responsibility of the corporation is to maximize the profit of its shareholder without breaking the rules

of the society. He insisted that public's request for CSR increases inefficiency within the society by forcing firms to waste time and resources for philanthropic reasons, which should not be firms' priorities.

However, the stakeholder model of corporate governance refuted the ideas. It insisted that corporations' relationships with all stakeholders determine the sustainable revenue creation of the corporation. (Hahn & Lee, 2009; Post, Preston, & Sachs, 2002, as cited in Yoo, 2015)

Drucker (1984) also insisted that every corporate activity should meet the social and ethical standards, and according to Donaldson and Preston (1995), firms should actively perform diverse CSR activities to improve corporate value stably in the long term. (as cited in Yoo, 2015)

Kurucz, Colbert, and Wheeler (2008) also emphasized that stakeholders' demands could be opportunities rather than constraints. Their work pointed out that a strategic management of the resources allows firms to fulfill the social needs and exploit opportunities.

2.4. From Responsibility to Opportunity

From the 2000s, scholars started to encourage corporations to find opportunities hidden in the social problems.

Prahalad and Hart (2002) found that 'Bottom of the Pyramid' (BOP) market had been neglected by firms even though it was the biggest market segment in the world economy. They insisted that firms which actively enter into the BOP market

would not just solve the social problems but also generate massive revenue and achieve technological innovations.

At 2008 World Economic Forum (WEF), Bill Gates also suggested ‘Creative Capitalism’ as an alternative, upgraded version of the current capitalist system. He proposed that corporations should collaborate with governments and nonprofit organizations, and stretch the reach of the market forces to ease the inequalities in the world. He distinguished the creative capitalism from the corporate philanthropy and asserted that the corporations should actively solve the social problems not to just improve the society, but to enhance the corporate value together (Kinsley, 2008).

Porter and Kramer also researched about the relationship between corporate philanthropy and business value through their various studies. In Porter and Kramer (2006), they asserted that CSR should not be just perceived as a cost, but rather perceived as an opportunity for innovation and source of competitiveness. Their work categorized CSR into responsive CSR and strategic CSR. Responsive CSR is social activities that are performed to meet the needs of various stakeholder as a good corporate citizen and to minimize the potential risk. However, strategic CSR aligns social activities with the company’s goal and business strategy, and pursues business gains while contributing to the society.

Porter and Kramer (2011) finally introduced the new concept called creating shared value (CSV). Porter and Kramer argued that corporations can redefine value creation in a broader perspective by reconceiving social agendas in

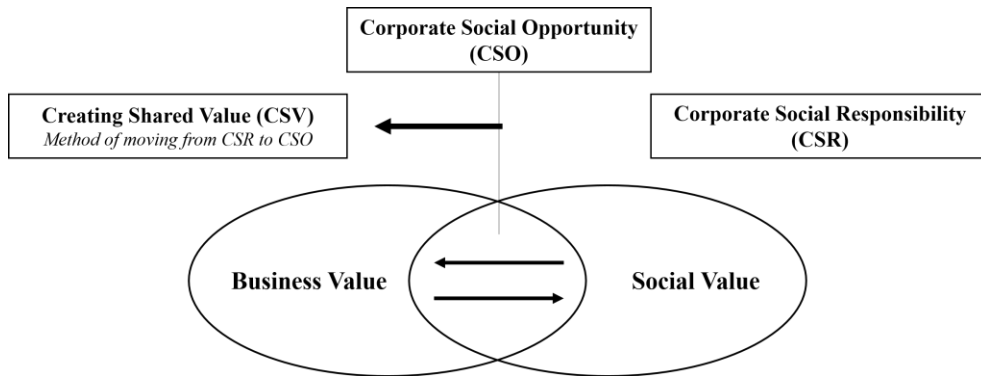
perspective of seeking opportunity. Competitiveness of a firm and health of the society are mutually dependent, and the firm should simultaneously improve both social and economic conditions of the society to enhance its competitiveness.

Through CSV, Porter and Kramer built a concrete and logical foundation which enables corporations to create business value by solving social problems. It also suggested three strategies for CSV, which are, reconceiving products and markets, redefining productivity in the value chain, and enabling local cluster development.

However, it still had limitations. It was difficult to perceive ‘creating shared value’ as an antonym of ‘corporate social responsibility’, thus the precise relationship between CSV and CSR was unclear. Also, the three strategies missed the opportunities which can be gained from globalization and could not encompass all possible targets of the activities. The missing part was revealed more clearly when the Diamond model of Porter (1990) was applied. Porter’s CSV strategies did not contain a strategy which corresponds to the firm strategy, structure, and rivalry conditions of the diamond model (Moon, Parc, Yim, & Park, 2011).

To overcome these limitations, firstly, Moon (2012) coined a new term, corporate social opportunity (CSO). Figure 1 illustrates the relationship between CSR, CSV, and CSO. CSO is an antonym of the CSR. While CSR activities create social value only, CSO activities create social and business value simultaneously. CSV is the means of converting social contribution strategy of a firm from CSR to CSO.

Figure 1. The relationship between CSR, CSV, and CSO



Source: Reprinted from Moon and Lee (2014)

In contrast to CSR which bases on the idea of the zero-sum game, CSO starts with the idea of increasing size of the pie. CSR forces companies to redistribute the wealth to the society and CSO encourages firms to actively dive into the social issues to find opportunities for increasing business values. It results in increasing social value as well.

Moon (2012) distinguished firms' strategies for social activities into four stages, which are, CSR for survival, CSR for self-satisfaction, CSO for image, and CSO for competitiveness. In regard to this research, CSO for competitiveness is an ultimate stage of social contribution strategy where firms align social values and business values strategically and enhance competitiveness through the social activities.

Table 1. Comparison of CSV Strategies

Author	Key Concepts & Ideas			
The Diamond Model Porter (1990)	Firm Strategy, Structure, and Rivalry	Factor Conditions	Demand Conditions	Related and Supporting Industries
-	Strategies for CSV			
Porter & Kramer (2011)	X	Redefining productivity in the value chain	Reconceiving products and markets	Enabling local cluster development
Moon et. al (2012)	Defining core competence	Redefining productivity in the value chain from both externality and internality factors	Reconceiving comprehensive targets	Enabling local or global cluster development

Source: Adapted and edited from Lee (2013), Moon *et al.* (2011), and Porter (1990)

Also, Moon *et al.* (2011) filled the missing gap of CSV strategies that arose in Porter and Kramer (2011) and introduced extended CSV strategies, as table 1. The ‘defining core competence’ strategy was added, and the range of strategy now encompasses global opportunities. Later, this strategy was tailored again in Moon (2016) with more generic words, as showed in table 2.

Table 2. Four CSV Strategies

Four Strategies	Explanations
Focus on core competencies	<ul style="list-style-type: none">• Find business related activities• Incorporate strategy
Help the related social segment	<ul style="list-style-type: none">• Identify specific social needs• Design solutions through business factors
Overcome problems in the value chain	<ul style="list-style-type: none">• Define any imbalances in value chain activities• Seek solutions from social factors
Collaborate with other organizations for better results	<ul style="list-style-type: none">• Establish partnerships with other institutions• Maximize synergies or minimize costs

Source: Reprinted from Moon (2016)

Firstly, a firm should find activities that are related to its business. To maximize the productivity of the social activities, the firm should focus on the area where it has the core competencies and incorporate the activities into the strategy. At the same time, its future core competencies can be defined and related activities which utilize the competencies can be performed. Through the social activities, the firm can enhance the specific competitiveness that the firm wishes to strengthen (Moon, 2012).

The second and third strategies are related interactively (Moon, Lee, & Parc, 2015). The firm should reconceive the comprehensive targets, including products and markets, and find the related, untapped social needs. While designing the strategy, the firm should consider it as an opportunity to fix the imbalance within its value chain. For sustainable value creation, it is essential to maintain healthy and balanced value chain. The firm should find the weakness in the value chain and

match the social problem with this weakness. By constructing a mutually beneficial solution which solves both problems simultaneously, the firm can achieve its shared value.

Lastly, many social problems are too complicated to be solved by the effort of a single firm. The firm should actively form alliances with other organizations and coordinate different core competencies. By synergistically aligning different competencies, the solutions can be much more productive with minimum cost.

To evaluate current social activities of Alibaba and China Samsung in perspective of CSV, this thesis analyzed CSR reports of Alibaba and China Samsung, which covered social activities of each firm from 2014 to 2017, using four CSV strategies presented in Moon (2016). After the evaluation of each firm, the strategies of both companies were compared, and improvement strategies were suggested based on the results.

Both Alibaba and China Samsung's CSR reports followed the guideline of CASS in common, and therefore, it allows more objective analysis of the social activities as pointed out in Myung (2015).

The following are the list of the analyzed CSR reports: Alibaba Group (2015, 2016, and 2017) and China Samsung (2015, 2016, and 2017).

3. A Case Study on Alibaba and China Samsung

3.1. Evaluation of Alibaba's Social Contribution Programs

With the motto of 'public good mindset, business methods,' Alibaba emphasizes that sustainable development can be achieved only by public good mindset rooted in company's business model (Alibaba Group, 2016).

The founder of Alibaba, Jack Ma stated that social responsibility had been an inseparable part of Alibaba's business model since its first day. He emphasized that every product and innovation of Alibaba originated from its efforts of solving social problems (Alibaba Group, 2014). Based on this idea, Alibaba Group (2016) declared the paradigm shift of its social contribution programs from CSR to "corporate social innovation (CSI)."

It is noticeable that Alibaba pursues the shared value and consider solving social problems as an opportunity. However, Alibaba's limited understanding of the value of CSV is also found in its new terminology, CSI. In contrast to CSV which considers opportunities in every activity of the value chain, CSI limits the opportunity to the technological development only.

Focus on core competencies

Alibaba perceives e-commerce as its strategic weapon and declared employment promotion, community development, and poverty alleviation as strategic goals to focus.

Alibaba chose the rural area as the best area where the firm can use this weapon and solve the problems most productively. The increase of the income disparity between rural and urban area led young generations to leave the rural area and move to urban cities for better opportunities. It accelerated the decline of rural area and formed a vicious cycle.

Alibaba recognized it as an opportunity to enter into the new market. Alibaba designed strategies to energize rural area with its core competence, e-commerce.

Alibaba established Taobao service centers in rural areas and enabled people to access to the internet technology. Alibaba opened Rural Taobao website and encouraged the people to set up their own business in the website. Through Rural Taobao and Taobao service center, people in the rural area were able to sell their products directly to the people in the urban area. Also, Alibaba's online Taobao University provided an e-commerce education to the new entrepreneurs.

The new infrastructures turned these people into consumers as well. They started to buy products for their workplaces and homes through Taobao. It increased productivity of the businesses and improved living conditions of the families. To accelerate these changes, Alibaba launched a new logistics company, Cainiao Network, and granted people faster and safer logistics services. With the economic boom, young generations started to come back to their hometown and opened their own business. As the number of successful cases increased, the entrepreneurs started to form clusters, and they were called "Taobao Villages."

Alibaba's rural project proves how business can innovatively lead the economic development of the society. Also, this successful project opened a wide gate to this untapped market and granted a massive business opportunity to the company. (Zhang, 2017)

The company also actively utilized its prospective core competence, big data cloud computing, in solving social problems. As of 2015, 50 cities in China was facing the traffic jam issues, and 25 cities among them was facing the normalization of a traffic jam. Statistically, more than 150 million people were suffering under this severe traffic jam.

To solve this problem, Alibaba collaborated with local governments in those cities. At Zhejiang province, the firm collaborated with the Zhejiang Provincial Transport Department and integrated the city's historical data, real-time data, and road network conditions of expressways data. This information was processed and analyzed by 'Shujia,' the big data cloud computing platform of Aliyun and succeeded in forecasting the next hour's road condition with 91 percent of accuracy.

In case of Wuhan, the Wuhan Traffic Management Bureau cooperated with AutoNavi Co. and Alipay, and improved its traffic data collection system, electronic map system, and smart parking system. As a result of this cooperation, the accuracy of road condition was improved from 80 percent to 95 percent, and the traffic data update interval was shortened from 15 to 2 minutes. The real-time information push system of Amap and Alipay increased the numbers of coverage

from 410 thousand people to two million people. Through solving these issues, Alibaba could also gain experiences in processing various big data and upgrade its own system.

Help the related social segment

Previously described Alibaba's rural development project shows how Alibaba satisfies specific needs of disadvantaged groups in the society. Alibaba carefully studied the needs of the people and designed the solutions from the business sector.

Similar strategies were applied to the disabled people who had difficulties in finding jobs and making stable incomes. Also, those people were isolated from the benefits of the digital era as well.

To solve these issues, Alibaba devised a unique, tailored program for blind people and enabled them to use online shopping in Taobao. Also, by providing special education programs and preferential terms and services, Alibaba turned disabled people into new entrepreneurs. By 2015, more than 7000 disabled people enjoyed the special services and over 10 million yuan were saved every year through the special discounts.

Alibaba directly hired the disabled people as well. Its customer service platform trained and recruited more than 3000 disabled people by 2015 as after-sales service consultants. By collaborating with China Disabled Person's Foundation, Alibaba plans to create more than 50 thousand internet-based job

opportunities for disabled people in between 2015 and 2020.

Through these projects, Alibaba empowered the disabled people, and secured more stable inflow of new sellers and buyers into the platform.

Overcome problems in the value chain

As a company that provides an e-commerce platform for vendors and consumers, Alibaba continually focuses on finding weaknesses in its service sector of its value chain and seeking technical solutions from the business factors. One good example is Alibaba's development of Alipay.

Prevalent payment failures and fake products were one of the most significant obstacles that hindered the development of e-commerce in China. To solve these problems, Alibaba introduced an escrow service, Alipay. It guaranteed safe transactions in the platform and freed both merchants and consumers from the risk of fraud. This service boosted the number of users of the platform, and later developed as the biggest online payment system in China.

Also, to completely eradicate fake products in the market, Alibaba co-worked with National Development and Reform Commission and formed an alliance with various international brands, including Apple, Louis Vuitton, and Nike. Since January 2017, this alliance started to crack down fake products using big data. Alibaba's such effort not just optimized business environment in China, but also enhanced competitiveness in the service sector and technological development sector of its value chain.

However, Alibaba also left much to be desired in other activities in the value chain. Though value chain encompasses five primary activities and four support activities, Alibaba focused only on service and technological development sector of its value chain. Alibaba needs to more actively participate in social activities which are related with other parts of the value chain.

Collaborate with other organizations for better results

Most of the social programs listed in previous chapters are not what Alibaba performed alone. Alibaba always forms a cluster and coordinates different competitiveness of the organizations, and creates productive outcomes. To name a few, Alibaba's rural project collaborated with local and central governments and local communities. Alibaba's empowerment project for disabled people collaborated with China Disabled Person's Foundation. To build an accessible information network for disabled people, Alibaba initiated China Information Accessibility Product Alliance with various IT companies, including Tencent and Baidu. Alibaba's cluster for fake products war also included government departments, and 20 renowned international brands as well. By actively cooperating with various organizations, Alibaba maximizes the productivity and minimizes costs.

3.2. Evaluation of China Samsung's Social Contribution Programs

One of an important goal of China Samsung is being recognized as a local company by the public. To achieve this goal, all subsidiaries of China Samsung share similar social contribution programs and perform social activities under one unified name, China Samsung. (Kim & Seo, 2012).

With a motto of being “Loved by Chinese, and contribute to the society,” China Samsung pursues a “win-win” relationship with its stakeholders.

China Samsung stated that it focuses on four main areas in its social contribution programs, which are, science innovation, educational support, social support, and environmental protection.

Its parent company, Samsung Group, declared CSV as its key strategy for innovation in 2014 (Lee, 2014). China Samsung also stated in its CSR reports, China Samsung (2014) and China Samsung (2015), that it aims a win-win relationship and mutual growth with its stakeholders through CSV.

However, CSV did not appear in its later CSR reports, and the company did not use the terminology in public. It contradicts the strategy of its parent company which continuously emphasized CSV, and it reveals that China Samsung could not successfully change its perspective on social activities from responsibility to opportunity.

Focus on core competencies

From 2016, China Samsung defined its core competitiveness as information and communication technology (ICT) in its CSR report. By utilizing its core

competence, China Samsung put constant efforts on solving digital disparity issues in the society. China Samsung reaches out to the isolated area where students are suffering from the lack of educational resources. To fill the gap of the digital divide, China Samsung provides digital devices to schools and changes the conventional classrooms into the “smart” classrooms. The smart classrooms allow students to access to the digital resources and get familiar with the digital culture. Also, to make this project more productive, China Samsung runs a training school for teachers and teach them information technology to utilize the new devices in the smart classroom. The project also helps the firm’s ICT professionals to be closely connected with its potential consumers and increase the loyalty.

However, it is difficult to say that most of China Samsung’s social projects are focusing on ICT. One of the examples is ‘One heart, one village’ rural development program which has lasted since 2005. Each subsidiary of China Samsung twins with one rural village and provides volunteer activities in various fields, including cleaning, child education, farming, and construction. But only a small part of the project is related to its business and core competence, and most parts are not. It reveals that China Samsung has not redesigned the strategies of some social contribution programs which were originally initiated with the idea of CSR.

Help the related social segment

Samsung Tech Institute is a good example which shows how China

Samsung reflects social needs into its strategy and achieves mutual benefit with the society. Young generation from underdeveloped area and low-income family were suffering from the lack of educational opportunity and unemployment. The ICT industry was also in need of well-trained ICT professionals. This business environment was affecting China Samsung as well. To solve these issues, China Samsung linked the social and business issue together. China Samsung established a vocational training school, 'Samsung Tech Institute' and provided vocational and ICT engineering training programs to the young generations. After a year of the program, the graduates could get a chance to work at China Samsung as well. Through the program, the society could provide more opportunities to the disadvantaged people, and China Samsung could enjoy the stable supply of young, well-trained engineers.

However, China Samsung also left much to be desired in other social contribution programs. As described above, China Samsung's rural development program could not link the social needs to the business. Hadjikhani *et al.* (2016) pointed out that the company performed the project in the purpose of building relationships with rural areas only. It stated that the acquired knowledge through the program was utilized in improving CSR projects only and could not relate it with its business.

Overcome problems in the value chain

As explained above, Samsung Tech Institute solves both business and

social problems together. Lack of trained engineers was not only affecting the human resource management sector but also affecting the service sector of the value chain. To provide better aftercare services to the public, China Samsung consistently increased the number of its service centers all over the country. However, its recruitment of technicians could not come up with the expansion speed of the service center. Also, the technicians had to be familiar with Samsung's products to provide services without mistakes. Samsung Tech Institute has just solved this problem by providing educational opportunities to the young talents from the low-income families and successfully secured enough number of new employees to send to the local service centers. As a result, China Samsung could strengthen its service sector in the value chain.

The development of innovative green packaging and logistics system strengthened its value chain as well. Through continuous R&D, the team developed 100% recyclable materials for Galaxy series packaging and reduced the volume and weight of the packaging by 40%. The achievement increased the transportation efficiency 2.2 times and reduced the greenhouse gas emission by 50%. The packaging waste was reduced to 35%. Through this effort, China Samsung could contribute to the environmental protection and also strengthened its technological development sector and outbound logistics sector in the value chain.

Collaborate with other organizations for better results

China Samsung pursues shared growth with its suppliers. Global companies

like China Samsung largely relies on outsourcing to external suppliers. To keep its end-product competitive in the global market, its suppliers should be globally competitive as well. Therefore, China Samsung manages its global value chain strategically, and consistently collaborate with its suppliers to increase the competitiveness together. In the report, China Samsung continually states that achieving ‘win-win’ situation is its priority and it always put all its efforts in constructing a mutually beneficial business ecosystem that pursues shared growth. (Moon *et al.*, 2015)

However, China Samsung still have a lot to be improved on its cluster building capability. Though China Samsung’s program collaborated with a few partners, such as local schools and China Youth Development Foundation for education support, it seems necessary for China Samsung to collaborate with more diverse organizations because it does not have competence in rural sociology or child education. It should collaborate with other organizations which have competencies that China Samsung does not have. Also, China Samsung rarely collaborated with other companies in its social programs. To increase efficiency and maximize the outcome, it is crucial for China Samsung to initiate clusters with other organizations more actively.

3.3. Comparative Analysis of Alibaba and China Samsung’s Strategies

The evaluation revealed that both Alibaba and China Samsung do not

completely understand the value of CSV. Alibaba's CSI concept showed that the company limited the benefit of solving social problems within the boundary of technological innovation. It excluded the opportunities which could be generated from other activities of the value chain. In case of China Samsung, it did not fully incorporate CSV as its significant strategy even though its parent company emphasized it.

Focus on core competencies

Alibaba sets e-commerce and big data cloud computing as its current and future competence and actively utilize them as strategic weapons for solving social problems. Social contribution programs which are stemmed from these core competencies show a high degree of differentiation and productivity. Alibaba's rural development project innovatively changed the economic structure of the area, and it granted a massive number of new vendors and consumers to the company as well. Anti-traffic jam project also successfully improved the living condition of the cities while strengthening the company's future core competence.

In case of China Samsung, albeit some solutions of its social contribution programs based on its core competence, ICT, most other activities were not related to its business. China Samsung should focus more on core competence-related programs and prune unnecessary programs, or devise new strategies which can incorporate its core competence. Also, the firm should define its future core competence, like Alibaba, and actively apply it in solving social problems.

Help the related social segment

Alibaba consistently listens to the needs of the society and designed solutions from its business. Alibaba's rural development project showed the reason why business sector should actively reach out to the neglected market. Alibaba designed the carefully tailored and comprehensive business solution for the rural area and turned the untapped and neglected market into the company's valuable source of competitiveness. The firm also provided special e-commerce services and job opportunities for disabled people and improved the mutual benefit simultaneously.

China Samsung's Tech Institute is also a good case that China Samsung pursued mutual benefit with the society. China Samsung perceived the social needs of education and employment opportunity for young people from low-income family, and integrated the solution into the human resource management system. However, China Samsung left much to be desired in its rural development project, 'One heart, one village.' The company's solution has not been changed from CSR-based to CSV-based. China Samsung should carefully reconceive its current philanthropic approach to the social needs and turn them into the business opportunity.

Overcome problems in the value chain

Among its value chain, Alibaba's main focus was service activities and technological development activities. Alipay service and fair competition project

not only led the growth of the company but also removed the obstacles that hindered the development of e-commerce in China. However, this limited focus on certain activities in value chain disregarded the opportunities which could be found from other parts of the value chain. Alibaba should not make a mistake of missing these opportunities to adjust imbalances in other parts of the value chain.

In China Samsung's case, the firm improved a wide range of value chain activities through solving various social problems. Samsung Tech institute strengthened human resources management sector and service sector, and new packaging and logistics system improved technological development sector and outbound logistics sector of the value chain.

Collaborate with other organizations for better results

In solving social problems, Alibaba collaborated with organizations in wide range of sectors, including local and central governments, local organizations, schools, social organizations, vendors, and even its competitors. Alibaba initiated alliances, coordinated different competencies, maximized synergies, and minimized costs.

China Samsung also pursued collaboration with other organizations, such as local communities, local governments, schools and social organizations. Also, it pursued mutual growth with its suppliers in the business ecosystem. However, China Samsung still missed opportunities to utilize other organizations' competencies in many sectors. Also, it rarely formed an alliance with other companies besides its

suppliers. Like Alibaba, China Samsung should cooperate with more diverse organizations, even including its competitors.

4. Conclusions

To understand the comprehensive motivation and strategic value of social activities of Alibaba and China Samsung, this thesis analyzed social activities of Alibaba and China Samsung by applying the four CSV strategies presented in Moon (2016).

The research showed that both companies pursue to enhance the competitiveness of the firms while solving social problems by strategically aligning social needs with business goals and methods.

In case of Alibaba, the needs of the society were carefully examined and appropriate solutions were designed which focused on the core competencies of the firm. Also, by proactively initiating clusters with other organizations, Alibaba achieved high efficiency and productivity in the process. Through these activities, Alibaba not just solved social problems but also developed its own new markets and cultivated competitive advantages.

In case of China Samsung, the firm actively aligned its weakness in the value chain with various social needs. It enabled the firm to devise solutions which enhanced both social and economic conditions of the society simultaneously and strengthened its value chain.

However, both companies also left room to be improved in understanding the core concept and strategies of CSV. Alibaba should not narrow its focus on technological development and service side only, and actively find opportunities from other part of the value chain as well. In China Samsung's case, the firm

should utilize business method and core competencies more in its existing social contribution programs. Also, more active cooperation with other organizations is required.

Through the research, this thesis showed that the four CSV strategies in Moon (2016) can be a tool which analyzes the comprehensive motivation, sophistication, and strategic value of social contribution programs in perspective of CSV, and provides additional improvement strategies.

CSV activities of multinational corporations should be tailored toward the specific local needs. As a global company, Samsung's social contribution programs need to have different strategies and characteristics in different countries. For further study, a comparative analysis of Samsung's CSV strategy between countries will be an important topic while the contribution of Alibaba's global CSV strategy on its global expansion strategy will be another issue to be discussed more in detail.

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국문 초록

중국 내 공유 가치 창출 (CSV): 삼성과 알리바바의 전략 분석

1978년의 개혁 개방으로 시작된 중국의 급속한 경제발전은 극심한 빈부격차 및 환경오염 등의 사회 문제를 야기하였다. 이에 중국 정부는 ‘조화로운 사회 발전’을 국정이념으로 삼고 기업의 사회적 책임 (CSR) 활동을 강화하였다. 중국 삼성과 알리바바는 이러한 사회 책임 활동을 적극적으로 수행할 뿐 아니라 비즈니스 기반의 사회 문제 해결을 통한 기업의 이익 창출을 함께 추구하였다. 이는 CSR을 더욱 발전시킨 포터와 크레이머의 공유가치창출 (CSV) 전략과 부합하였다. 그러나 중국에서 CSV에 관한 연구는 아직 도입 단계이며 관련 연구 또한 미흡한 실정이다. 기존의 CSR에 기초한 기업의 사회 활동 분석은 이러한 기업의 활동들을 통해 증진되는 기업 가치에 대하여 명확한 설명을 제시하지 못했다. 이에 본 논문은 중국 삼성과 알리바바의 중국 내 사회 공헌 활동을 CSV 전략의 관점에서 분석함으로써 본 활동들의 동기 및 전략적 가치를 평가하고 개선을 위한 전략을 제시하려 한다.

키워드: 기업의 사회적 책임 (CSR), 공유 가치 창출 (CSV), 기업의 사회적 기회 (CSO), 중국 삼성, 알리바바, 중국 내 기업의 사회 공헌 활동

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